

E/R-5-6109

MAY 28 1954

MEMORANDUM FOR: Deputy Director (Administration)

SUBJECT: Disbursements Under [REDACTED]

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1. PROBLEM:

Disbursements of Project [REDACTED] have been expended and charged to cost in accordance with established Agency accounting policy for proprietary and subsidy projects on the basis of reports and/or other documentation reflecting use of funds advanced. An administrative audit of expenditures by the project for the period 1 June 1951 through 31 May 1952, by the [REDACTED] Finance Office has resulted in the determination that a substantial portion of the expenditures were made in violation of administrative limitations imposed in connection with approvals granted under the project overall plan, or have not been supported in accordance with the requirements of the plan. Although these expenditures have been approved by the Assistant Chief of Mission, the nature and amount of the exceptions taken to the accountings appear to require review by higher authority.

2. FACTS BEARING ON THE PROBLEM:

- a. The project's allotments and expenses applicable to Fiscal Year 1951 and 1952, as recorded to date are as follows:

<u>Fiscal Year</u>	<u>Allotted</u>	<u>Expenses</u>
1951	[REDACTED]	[REDACTED]
1952		
1953		

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This project (now known as [REDACTED]) was terminated 29 December 1952.

- b. The plan of operation for the project was set forth in an administrative plan approved by the Covert Coordination Committee (Tab A).
- c. Instructions with respect to the financial control of the project were forwarded to the [REDACTED] (Tab B).
- d. As a result of an administrative audit of expenditures for the period 1 June 1951 through 31 May 1952, the [REDACTED] Finance Office questioned the propriety of accepting accountings totaling [REDACTED] applicable to FY 1952, and transferred to Headquarters expenditures [REDACTED] applying to FY 1951.

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- e. The financial deficiencies and deviations from project approvals were reviewed by the Assistant Chief of Mission, who determined that the accountings should be accepted as rendered (Tab C).
 - f. All expenditures by the project have been charged to expense and cost in accordance with current Agency accounting policy.
 - g. The Chief, EE Division, has reviewed financial data on the project and has determined that [] may be recovered as a result of negotiations [] (Tab D).
 - h. The possibility of recovery has been recognized in Agency accounts by memorandum recording of assets in the amount of [] for further follow-up.
 - i. The Deputy Director (Plans) has had the operations of the project reviewed by the I & R Staff and has determined that, "although accountings for funds disbursed under the project were not in accord with established practices, such funds were used with intent to further the objectives of the project. To the extent that a review was possible, and short of a financial audit, no evidence has been found to show that funds were converted to the personal gain of Agency Staff employee." (Tab E).
 - j. The Deputy Director (Plans) further recommends that (a) subject to final audit present support for disbursements by the project be accepted as rendered and (b) audit of the project be undertaken by the Audit Office at the time of final settlement of the Agency claims against the [] principals (Tab E).
3. CONCLUSIONS:
- a. No evidence has been found to show that funds were converted to the personal gain of Agency Staff employees.
 - b. Disbursements under subject project have been made in violation of administrative limitations, and accountings have not conformed with requirement of regulations and established practices.
 - c. Disbursements of funds and reduction in asset values of the project have been properly recognized as expenses and cost of the project under applicable Agency accounting policy.
 - d. Adequate control over the possible recovery of assets on liquidation of the project will be accomplished through memorandum accounting records.
 - e. The Audit Office should take into consideration all facts presented in this study in accomplishing its final audit of the project.

4. ACTION RECOMMENDED:

In view of the conclusions reflected in a, c, and d above, it is recommended that:

- a. subject to audit by the Auditor-in-Chief, the disbursements and expenses of the project be approved.
- b. final determination as to further administrative action in the case be deferred pending completion of final audit by the Audit Office.
- c. this staff study be made available to the Auditor-in-Chief and he be requested to conduct a current audit and render a report on the project.




E. R. SAUNDERS
Comptroller

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ANNEXES:

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- Tab A - Memo dated 1 September 1950 (copy)
Tab B -  (copy)
Tab C - Memo dated 23 December 1952 (copy)
Tab D - Memo dated 23 March 1954 and
Posting Voucher dated 2 January 1953 (copies)
Tab E - Memo dated 20 April 1954

ACTION BY APPROVING AUTHORITY:

APPROVED:

Date

9 June 1954

151 R. K. White

Deputy Director (Administration)